

Where do our taxes go?


State Government
Revenue

General Fund Budget

The Constitution and
the State Budget:

- TABOR,
Referendum C,
Gallagher, and
Amendment 23

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Understanding the State Budget
The **Big Picture**

House Finance Committee, January 16, 2013

Where Do Our Taxes Go?

WHO GETS YOUR TAX DOLLAR?
HOW IS YOUR TAX DOLLAR SPENT?



Who gets your tax dollar?



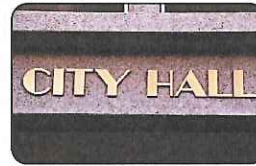
Federal
66%

Mostly Income &
Payroll Taxes



State
14%

Mostly Income &
Sales Taxes



Local
20%

Mostly Property &
Sales Taxes

Source: U.S. Census Bureau, 2010 data.

How is your tax dollar spent?



66¢
Per Tax Dollar

Federal Government

- Defense 20.9%
- Health Care 20.8%
- Social Security 18.1%
- Safety Net 12.8%



14¢
Per Tax Dollar

State Government

- P-12 Education 40.1%
- Health Care & Safety Net 32.4%
- Corrections & Courts 13.8%
- Higher Education 8.8%

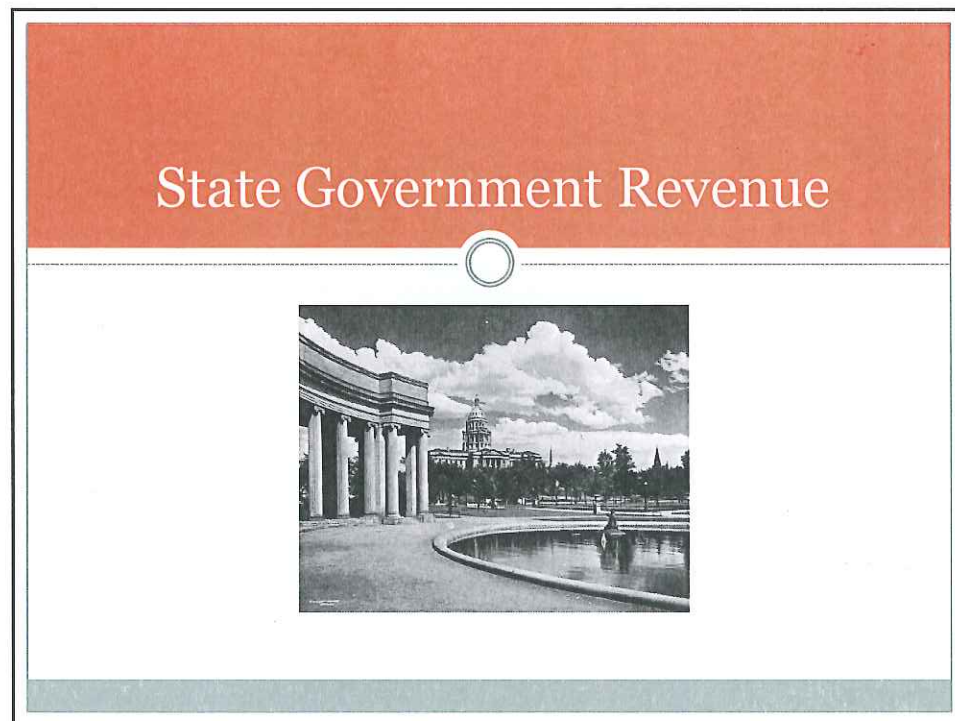
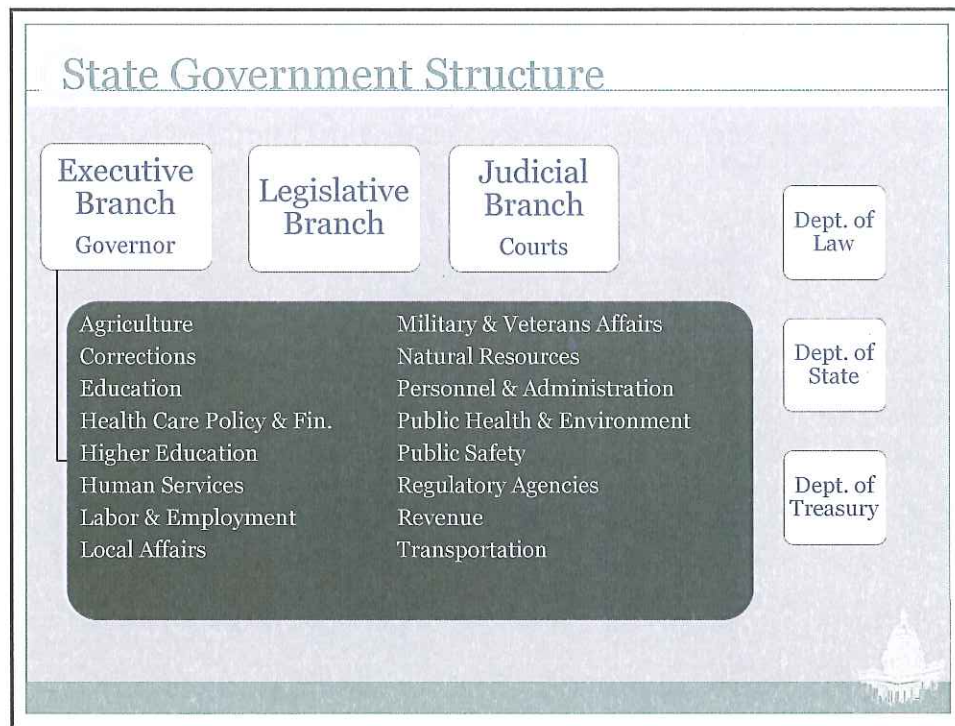


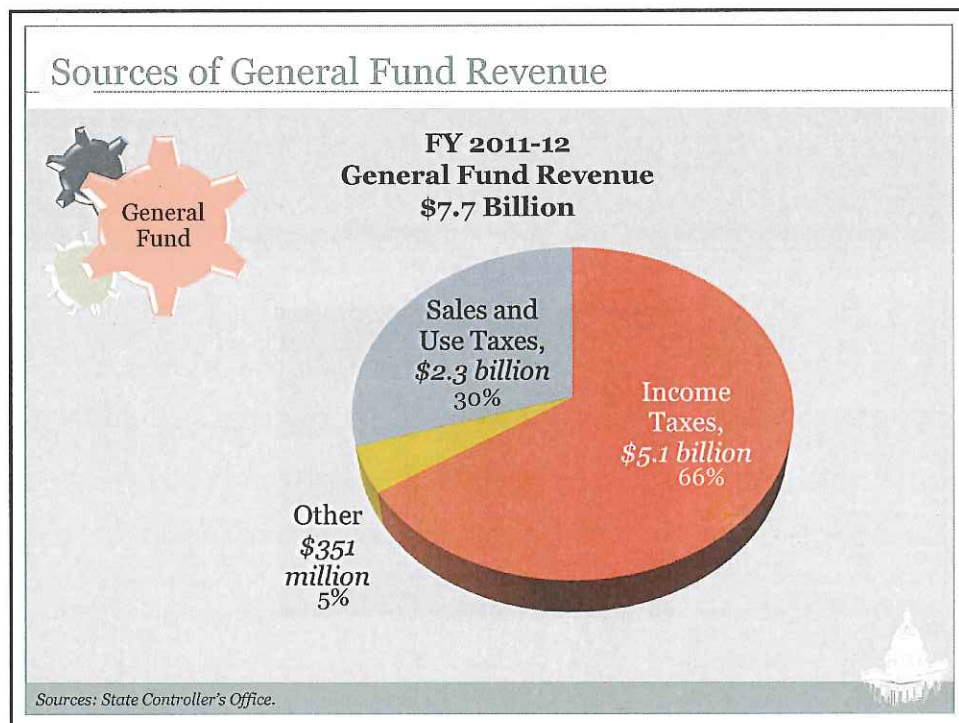
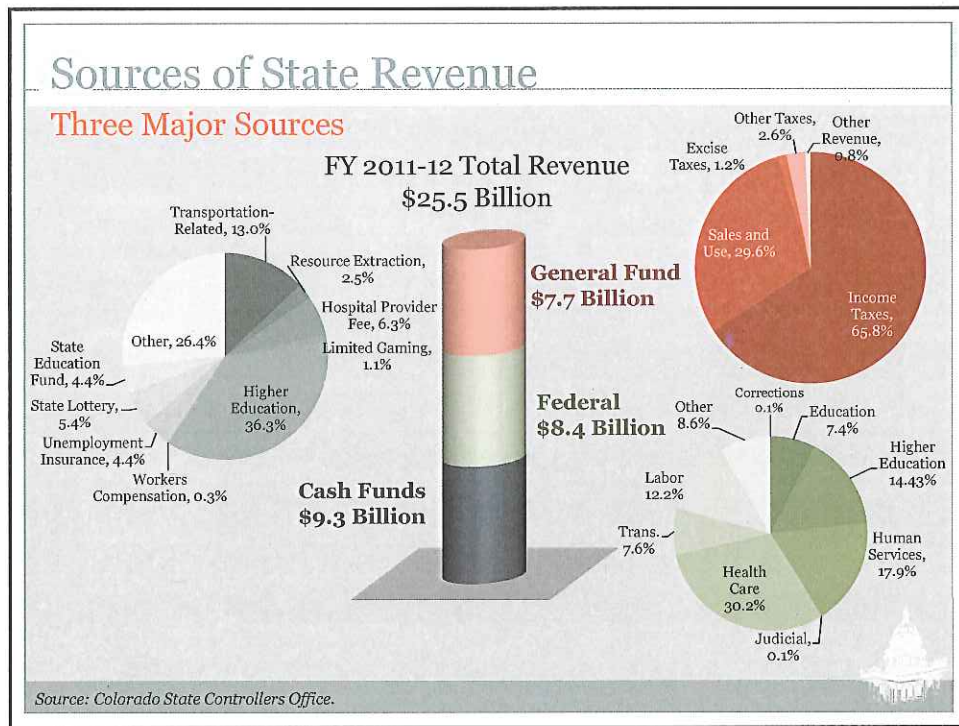
20¢
Per Tax Dollar

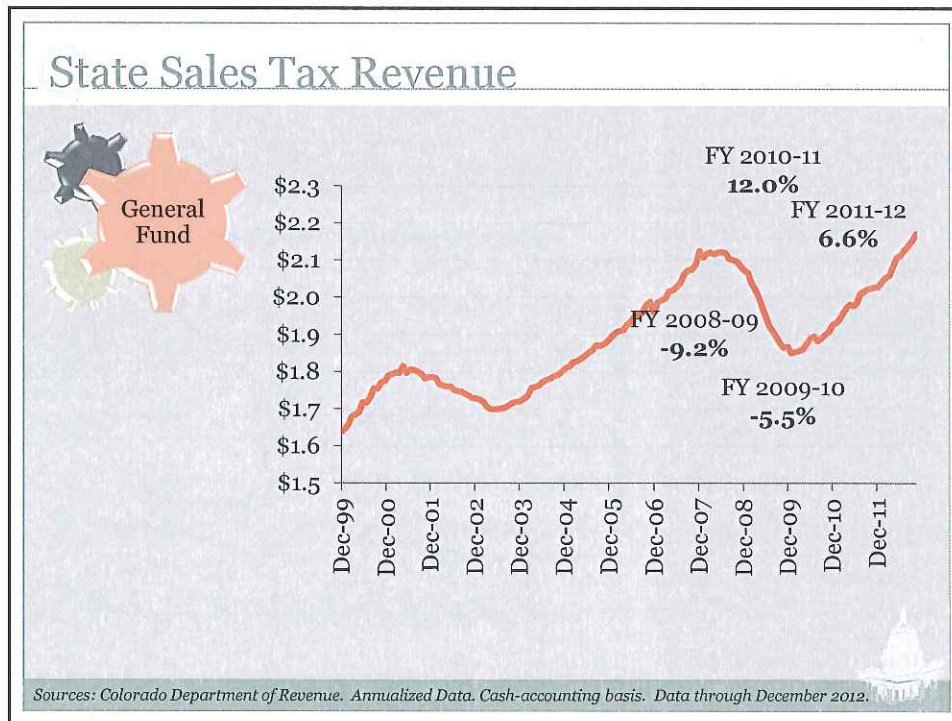
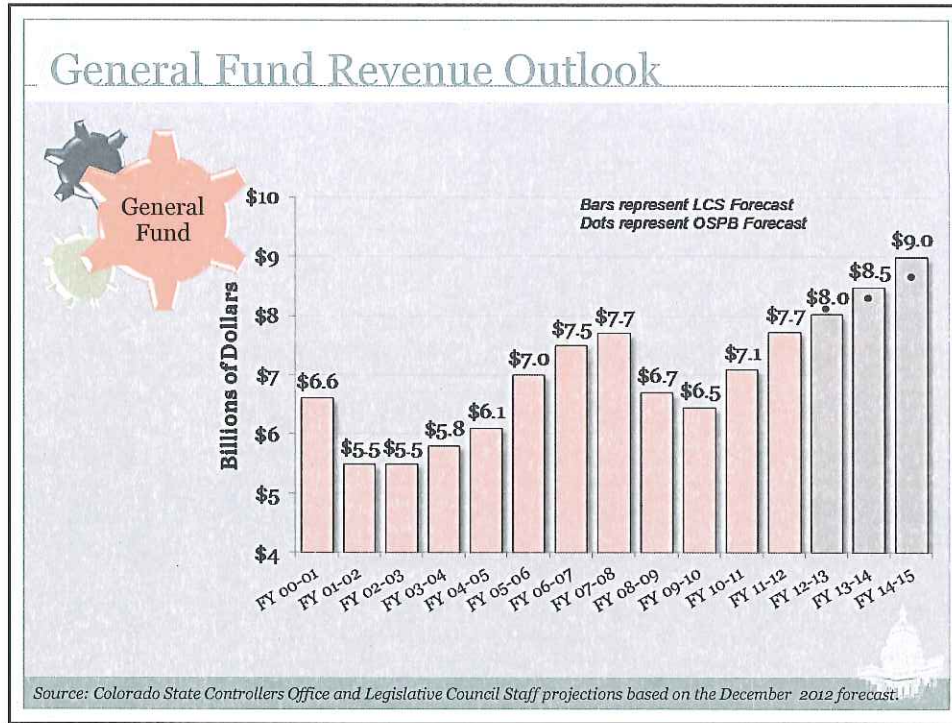
Local Governments

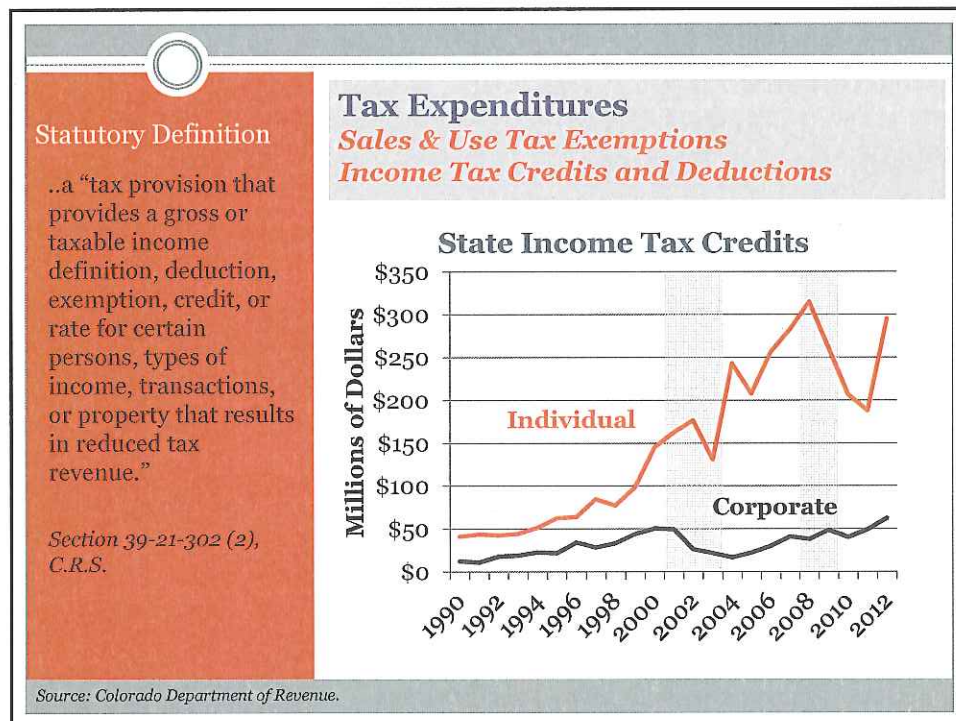
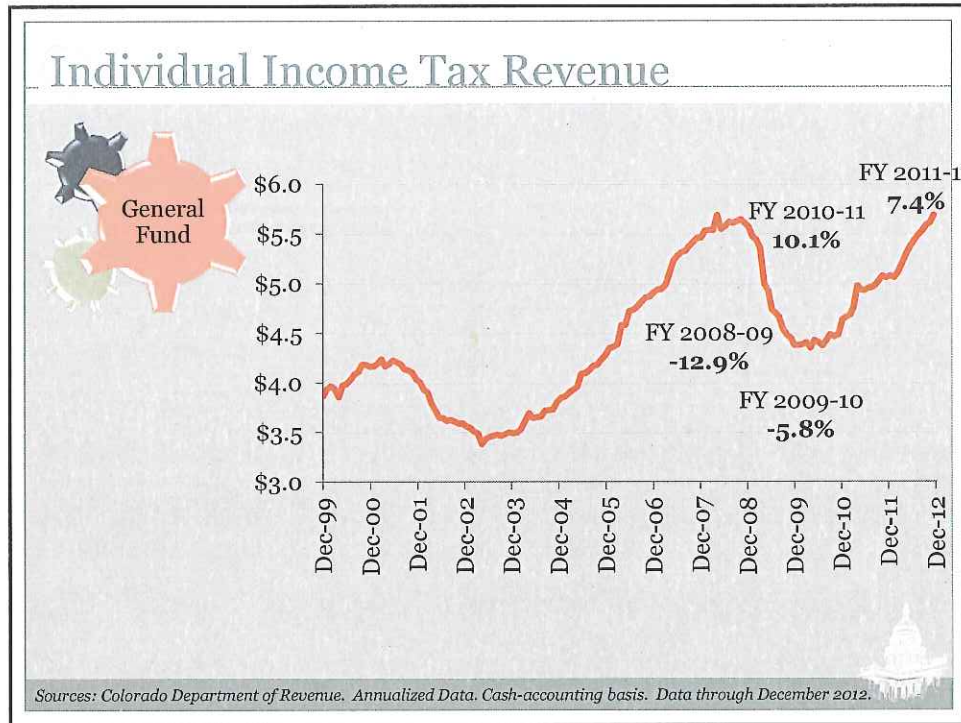
- P-12 Education 25.7%
- Police, Jail, & Fire 24.0%
- Streets & Waste Management 10.0%
- Culture & Recreation 8.4%

Percentages for the State are based on the General Fund budget. Budget percentages do not add up to 100% because only the largest programs are shown. The remaining 27.4% for the federal government, 4.9% for the state government, and 31.9% for local governments fund a wide variety of other programs.





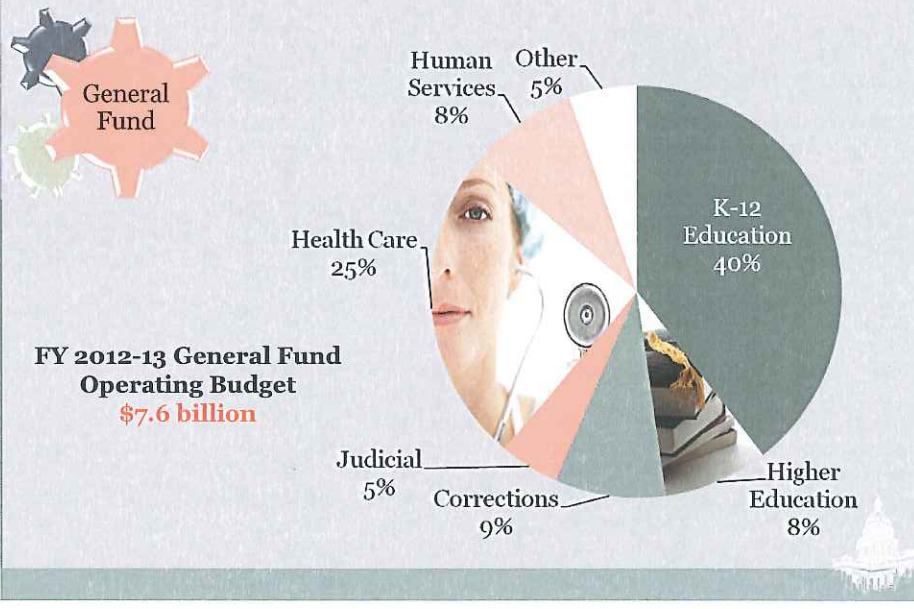




General Fund Budget

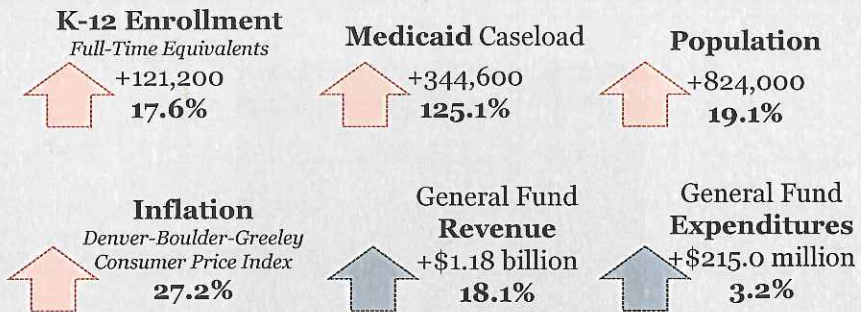


FY 2012-13 General Fund Budget



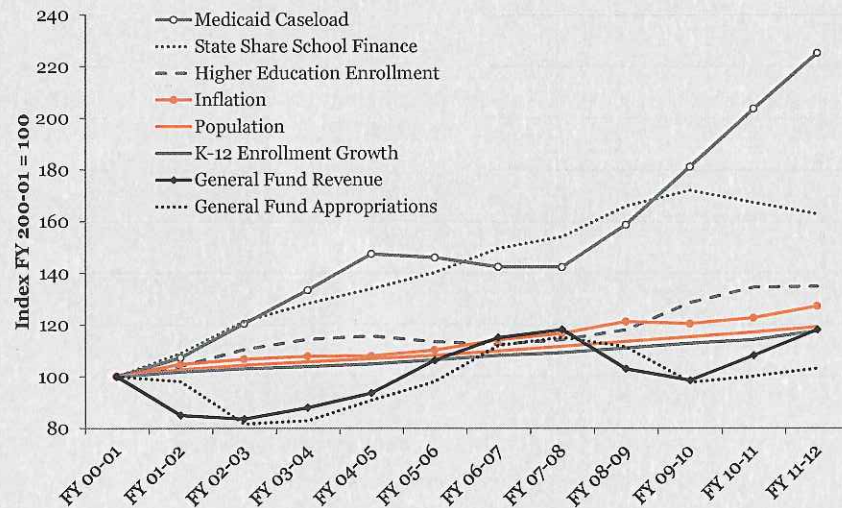
Caseload Growth & the General Fund Budget

Growth between FY 2000-01 and FY 2011-12 for...



Sources: Colorado Department of Education, U.S. Census Bureau, & Bureau of Labor Statistics, and JBC Staff.

Caseload Growth & the General Fund Budget



Sources: Colorado Department of Education, U.S. Census Bureau, & Bureau of Labor Statistics, and JBC Staff.

A Sample of Major Actions Used to Balance Budget

- **Cash Fund Transfers to the General Fund**
 - Mostly Severance Tax Funds
- **Reduced Reserve Requirements**
- **Increase Revenue**
 - Sales Tax on Cigarettes
 - Roll Back Various Sales Tax Exemptions/Vendor Fee & Income Tax Credits
- **Federal Stimulus Funds**
 - Medicaid, Education, Prisons, Human Services Programs
- **Permanent and One-Time Cuts to Programs**
 - Education, PK-12 and Higher Education
 - Medicaid Programs/Provider Reimbursements
 - Senior Property Tax Exemption
 - Prisons – Closing Prisons
 - State Employee Salary Freeze/Pension Adjustments



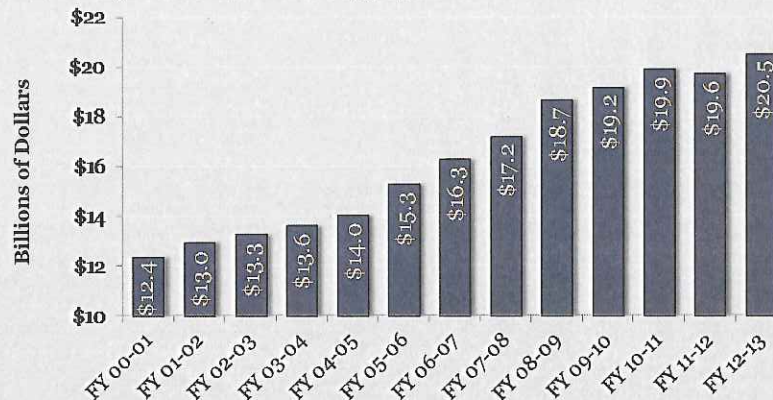
What About the Next 15 Years?

- **The aging of the population will:**
 - Change the housing mix, likely dampening growth in housing values and the property tax base;
 - Change income and spending patterns, likely dampening growth in the income and sales tax bases; and
 - Increase demand for government services, applying further budget pressure on governments.
- The economy is still recovering and must work through debt and imbalances before growing again at potential.



Total Appropriations from All Sources

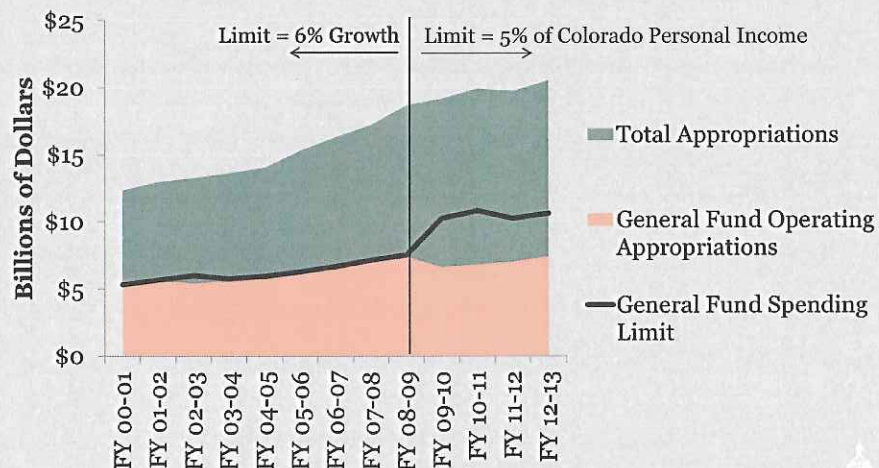
Includes moneys from the General Fund, cash funds, and federal funds.
Does not adjust for double-counted appropriations.



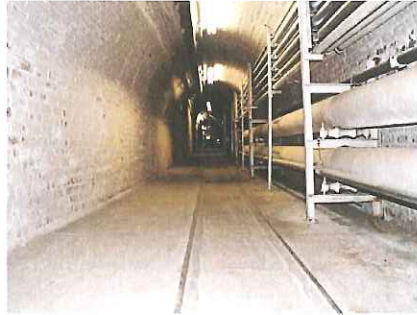
Source: Joint Budget Committee Staff.

General Fund Spending Limit

Limits General Fund Operating Appropriations



The Constitution and the State Budget



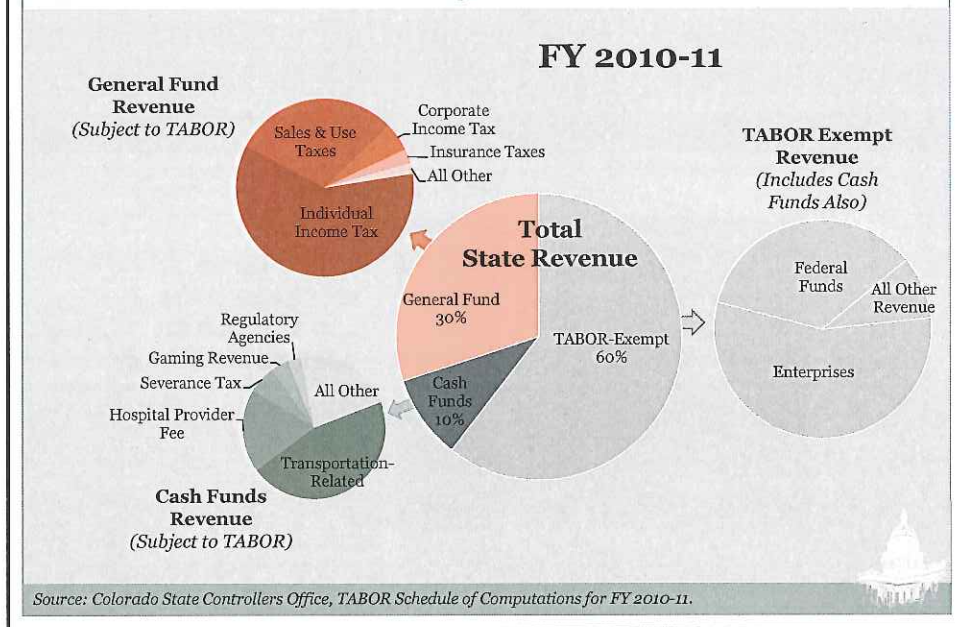
**TABOR
REFERENDUM C
GALLAGHER
AMENDMENT 23**

The TABOR Amendment

- **TABOR Provisions limiting state spending**
 - Spending limit on specific revenue (TABOR limit)
 - Voter approval required for tax increases
 - Voter approval required for revenue changes (revenue retained above the TABOR limit)



What Revenue is Subject to TABOR?



Definition: Fiscal Year Spending

- The Lesser of:
 - Revenue Subject to TABOR and
 - The TABOR Limit
- Also Known As: "TABOR Base"

The amount of money TABOR allows the state to keep and spend each year.

Includes All Revenue Received by the State Except:
Refunds, gifts and donations, money from the federal government, employee pension contributions, pension fund earnings, damage awards, property sales, reserve transfers or expenditures.

Sources of Cash Fund Revenue Subject to TABOR



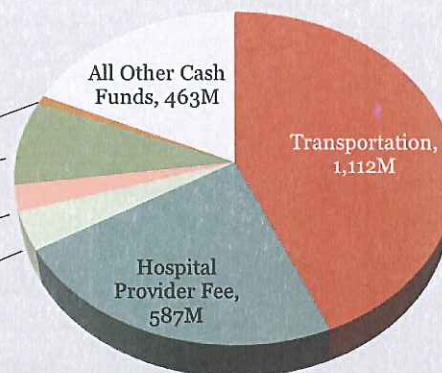
FY 2011-12 Total Revenue
\$2.55 Billion

Workers' Compensation - \$23M

Severance Taxes - \$208M

Regulatory Agencies - \$65M

Gaming Revenue - \$96M



Sources: State Controller's Office.

TABOR-Exempt Cash Fund Revenue (Examples)

Revenue Source	FY 2010-11
Higher Education Enterprises	\$6.4 Billion
Colorado Lottery	\$528 Million
Unemployment Insurance	\$2.1 Billion
Amendment 35 Tobacco Tax	\$151 Million
Federal Mineral Leasing	\$153 Million
Unclaimed Property	\$62 Million
Division of Wildlife	\$121 Million
Tobacco MSA	\$89 Million
State Nursing Homes	\$53 Million
Statewide Bridge Enterprise (FASTER)	\$11.3 Million
Corrections Enterprises	\$67 Million

Sources: State Controller's Office.

TABOR Spending Limit

- **TABOR Limit**

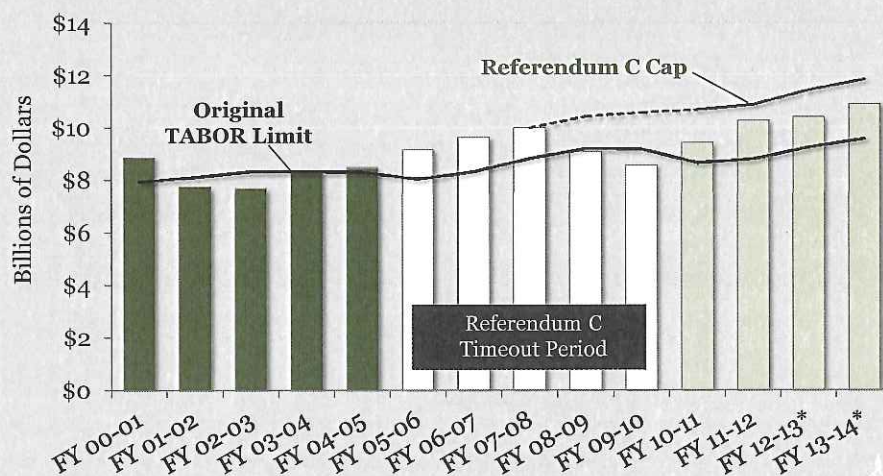
Previous fiscal year's *spending* grown by inflation & population growth
+ Voter-approved revenue changes

- **Referendum C Cap**

- Highest revenue retained during "five-year timeout" period
- Previous fiscal year's *cap* grown by inflation and population growth



TABOR and Referendum C



*Legislative Council Staff September 2012 forecast.

Source: Colorado State Controllers Office and Legislative Council Staff.

The Constitution & School Finance

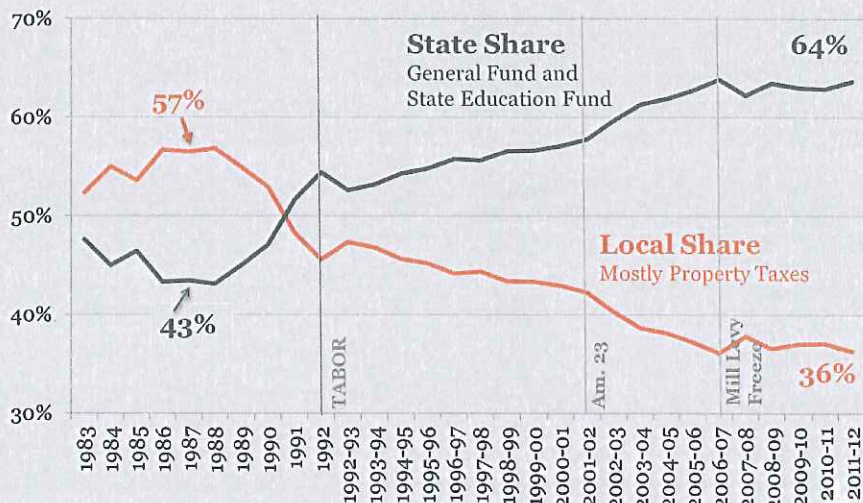
K-12 Public Schools

State Funding =
Total Program Funding
Minus
Local Share

Mostly Property Taxes



Over the Last 30 Years...



Note: Prior to 1993, K-12 funding was done on a calendar year basis.

The Constitution & School Finance

- **Gallagher Amendment**
 - 45/55 Property Tax Base Ratio
 - Adjusts the Residential Assessment Rate
- **TABOR**
 - Requires a vote to increase the Residential Assessment Rate or Mill Levy
- **Amendment 23**
 - Requires "Total Program" to Increase



Residential Assessment Rate

